

NESG-Stanbic IBTC **Business Confidence Monitor**

New Business Challenges
Slowed Growth and
Dampened Business
Outlook in 2025



Table of Contents:



Executive Summary



BCM Framework



Nigeria's Business Conditions in April 2025



How the Sectors Fared in April 2025

Agriculture Sector

Manufacturing Sector

Non-Manufacturing Industries

Services Sector

Trade Sector



Future Business Expectations

Business Confidence Monitor

New Business Challenges Slowed Growth and Dampened Business Outlook in 2025

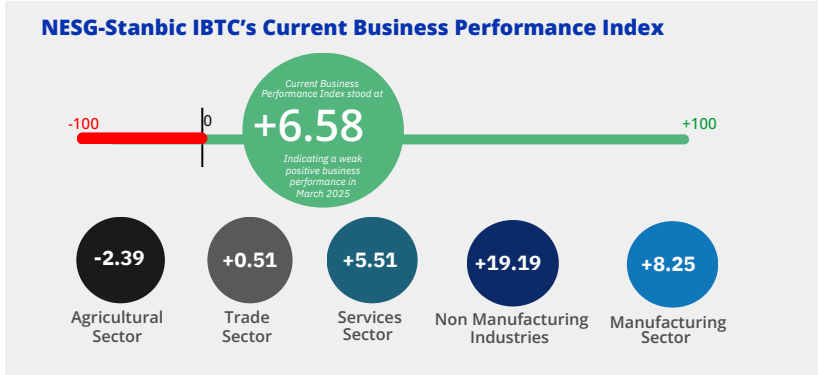
Executive Summary

The Business Confidence Monitor (BCM) is the flagship survey-based report of the Nigerian Economic Summit Group (NESG), supported by Stanbic IBTC. The report obtains qualitative information on the current business sentiment within the Nigerian economy and gauges expectations about overall economic activities in the short term. It is anchored on business managers' optimism on key leading economic indicators such as investment, prices, demand conditions, employment, etc.

Key Findings

Current Business Performance (March 2025):

- Businesses in Nigeria reported a sustained positive business performance for the third consecutive month in 2025, signalling favourable business conditions in the year.
- As a result, the current Business Performance Index for March 2025 stands at +6.58, a weakly positive business performance and a slight decline compared to +11.50 points in February 2025.
- Although not the top challenge this month, the high cost of commercial lease/rental property remains among the top three business challenges in the last two months. Other top-ranking business challenges include inadequate power supply, limited access to financing, and economic uncertainties.

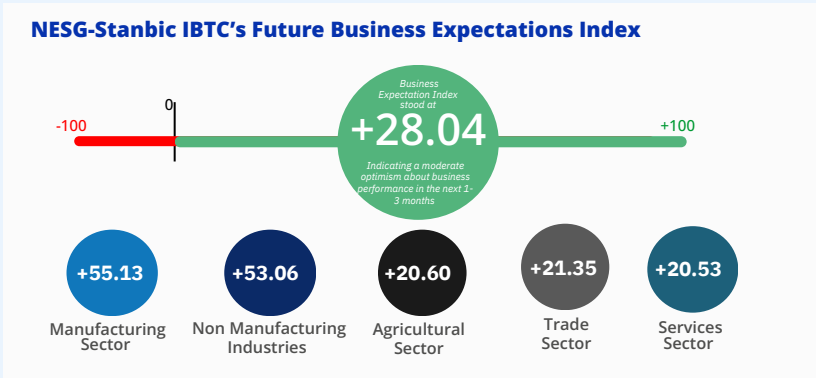


Future Expectations (Next One to Three months):

- The Business Confidence Measure (BCM) recorded a positive index of +28.04, reflecting cautious, optimistic expectations about business improvement in the next one to three months. This level is slightly weaker when compared to figures for February 2025.
- Anticipated enhancements in financial results, general business situation, operating profits, cash flow, and production levels fueled this level of optimism.
- Among sectors, Manufacturing exhibits the highest optimism with an index of +55.13, while Services, at +20.53, shows the least confidence in future performance.

Sectoral Insights

- Business expectations outlook across the five economic sectors is majorly cautious and optimistic. Manufacturing and Non-manufacturing sectors exhibited moderate optimism, while Trade, Services, and Agriculture sectors recorded cautious optimism.
- The sector indices revealed that Manufacturing (+55.13) and Non-manufacturing (+53.06) demonstrated higher optimism. Conversely, the Trade (+21.35), Agriculture (+20.60) and Services (+20.53) sectors expressed cautious optimism regarding business improvement.
- Businesses anticipate enhancements in financial results, general business situation, operating profits, cash flow, and production levels are expected to improve, leading to enhanced business activities in 2025.



BCM Framework

The NESG-Stanbic IBTC BCM combines leading qualitative indicators on Production, Investment, Export, Demand Conditions, Prices, Employment, and the General Business Situation to gauge the overall business optimism of the Nigerian economy.

The target respondents for the Business Confidence Survey (BCS) are business establishments operating in Nigeria that have been engaged in economic activities since the beginning of 2023. The survey is administered to senior managers and business executives.

The Contextual Definition

For the report, we define business confidence as a pool of economic indicators that measure the current business condition and the extent of optimism or pessimism that business managers feel about the general state of the Nigerian economy as it affects key business decisions within three months.

Economic Sectors Covered in the Report

Trade: Wholesale Trade | Retail Trade

Manufacturing: Food, Beverage, and Tobacco | Textile, Apparel, and Footwear | Cement | Chemical and Pharmaceutical Products | Plastic and Rubber products | Wood and Wood Products | Pulp, Paper and Paper Products | Non-Metallic Products | Electrical and Electronics | Basic metal, Iron and Steel | Motor vehicles & assembly | Other Manufacturing

Non-Manufacturing Industries: Crude Petroleum | Natural Gas | Oil and Gas Services | Construction

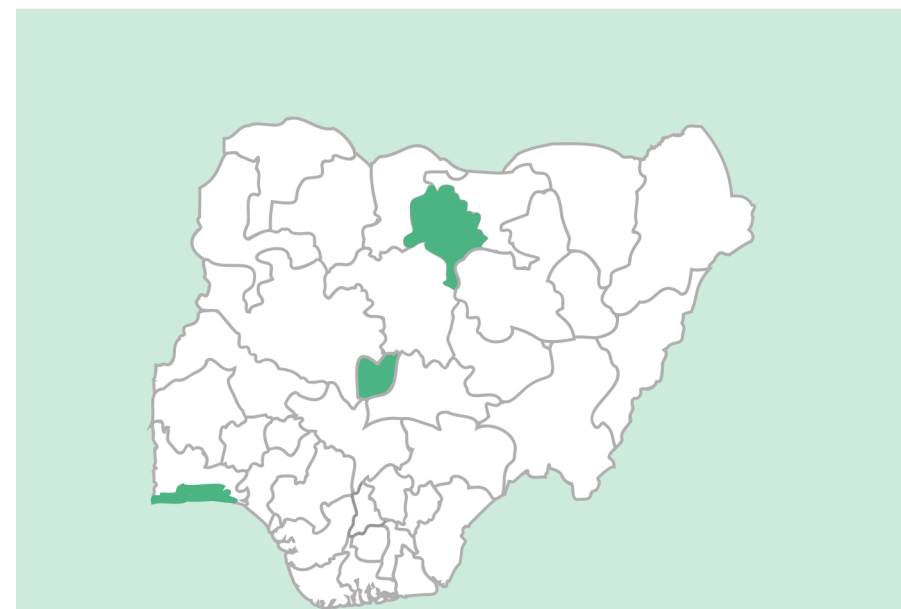
Agriculture: Crop Production | Livestock | Agro-Allied | Forestry | Fishing

Services: Telecomms & Information Services | Broadcasting | Financial Institutions | Real Estate | Professional, Scientific and Technical Services

Data Source

The data set for constructing NESG-Stanbic IBTC's BCM indices is generated from various qualitative responses reported in the BCS. The BCS, a monthly survey conducted by NESG, gathers information on various variables across different economic activities from owners and managers of businesses operating in Nigeria.

The survey was conducted in Lagos, Kano, and Abuja to provide the key information that turns the NESG-Stanbic IBTC BCM into a representative monthly measure of managers' confidence in the Nigerian business environment.



Business Conditions in March 2025

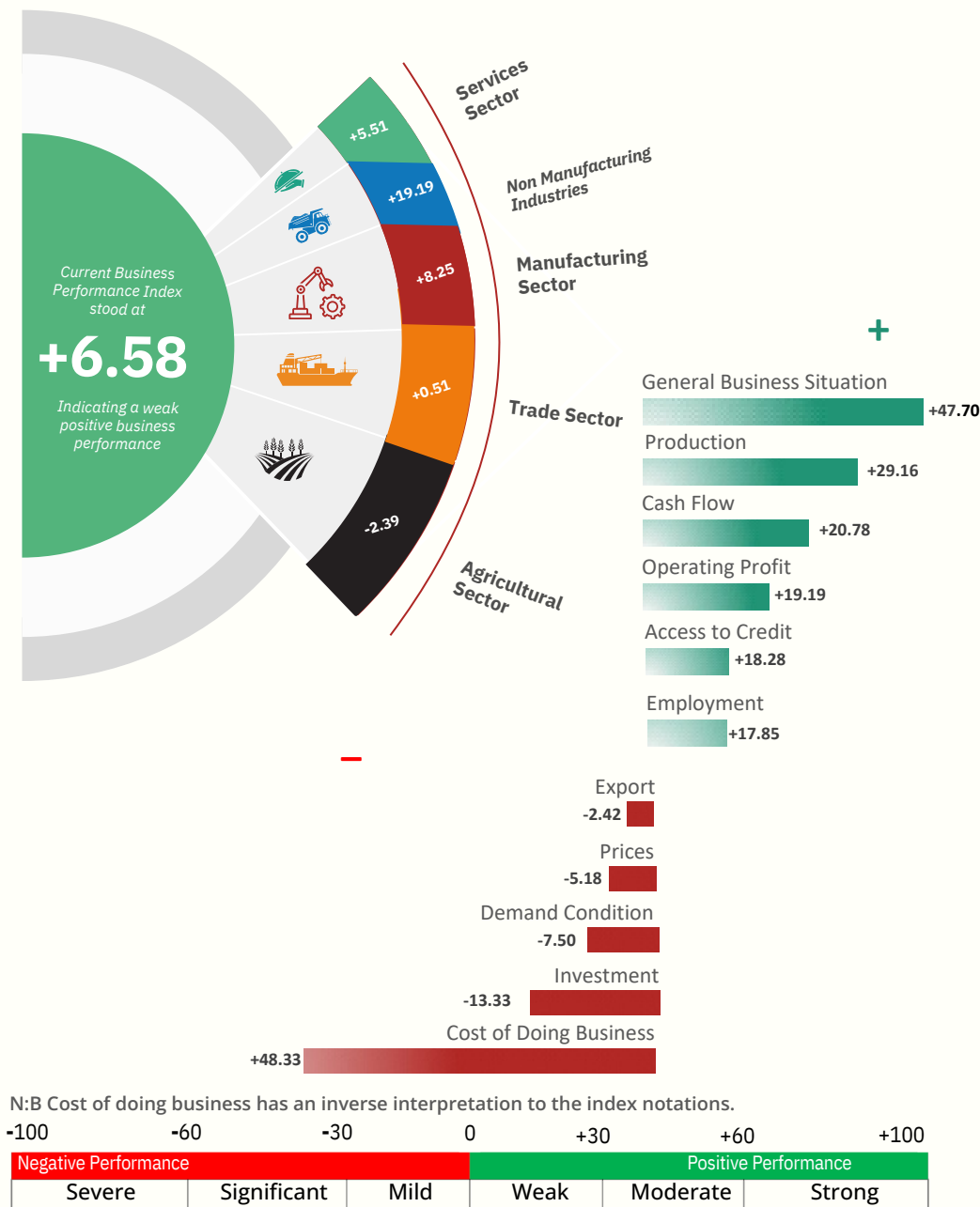
Nigeria's business environment posted a positive performance in March 2025, maintaining the momentum from the start of the year. The NESG-Stanbic IBTC Business Confidence Monitor (BCM) recorded a drop in the Current Business Index to +6.58 in March 2025, from +11.50 in February 2025.

The sub-sectoral analysis revealed a weakly positive performance in the economic sectors covered, except for the Agriculture sector (-2.39). Positive trends were noted in Non-manufacturing (+19.19), Manufacturing (+8.25), Services (+5.51), and Trade (+0.51). Aside from the Non-manufacturing sector, most sectors experienced a relative decline in performance compared to February 2025.

Structural challenges in Nigeria's business environment reversed some gains achieved since the beginning of the year. The general business situation remained positive, alongside production levels, operating profits, cash flow, and employment. However, the cost of doing business and access to credit signalled a slight deterioration to +48.44 and +18.28 from +47.18 and +24.84 in February 2025, respectively.

The most significant negative impacts were reduced demand conditions (-7.50), investment (-13.33), export (-2.42), and declining price levels (-5.18). These factors, among other weakened conditions, collectively dampened business activity and demand in March 2025.

Persistent power shortages, limited access to financing, high cost of commercial lease/rental property, and unclear economic policies emerged as the most pressing challenges, hindering business expansion. A significant departure was noted with the emergence of high commercial lease/rental property costs as a notable challenge, disrupting business activities, production levels, and demand conditions across sectors. Limited financing access persisted as a structural barrier, further restricting business growth throughout the month.



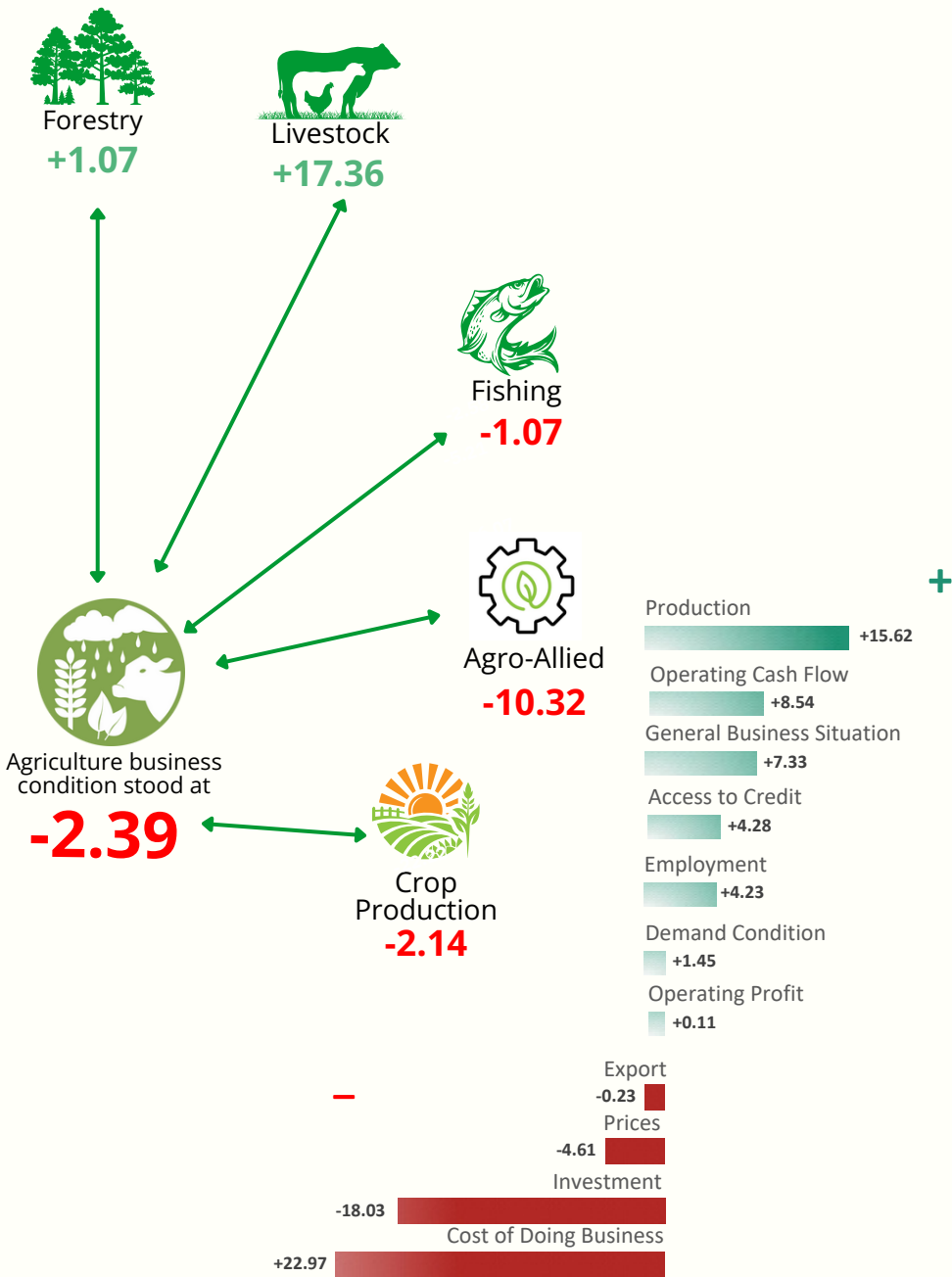
AGRICULTURE

The NESG-Stanbic IBTC BCM Index for the Agriculture sector showed a decline and negative business performance of -2.39 in March 2025. This performance was driven by mixed outcomes across sub-sectors, where negative performances in three of five—Crop Production, Agro-Allied, and Fishing—offset gains recorded in Livestock and Forestry. Key challenges included high material costs and the scarcity of raw materials and farm equipment. Unreliable power supply and poor access roads further disrupted operations.

Performance across the five agricultural sub-sectors revealed both opportunities and constraints. Livestock and Forestry recorded weak positive performances at +17.36 and +1.07 index points, respectively. In contrast, Agro-Allied (-10.32), Crop Production (-2.14), and Fishing (-1.07) posted negative outcomes. High fuel prices, rising feeding costs, and increasing tariffs and elevated operating expenses. In addition, expensive rental rates restrict business expansion and compress profit margins.

Despite the broader slowdown, some key indicators suggested a relatively stable and improving agri-business climate. Gains were noted in operating cash flow, general business situation, production levels, and demand conditions. Operating profits remained positive and helped sustain overall performance. However, high rental costs still hinder the purchase of adequate feed, affecting farm operations.

A moderate increase in available financing supported business expansion and improved employment, especially in the livestock sub-sector. Nevertheless, albeit with reduced intensity, structural challenges persisted, limiting the sector's growth. These include weak exports (-0.23), low investment inflows (-18.03), and the high cost of doing business (+22.97).



N:B Cost of doing business has an inverse interpretation to the index notations.

-100	-60	-30	0	+30	+60	+100
Negative Performance			Positive Performance			
Severe	Significant	Mild	Weak	Moderate	Strong	

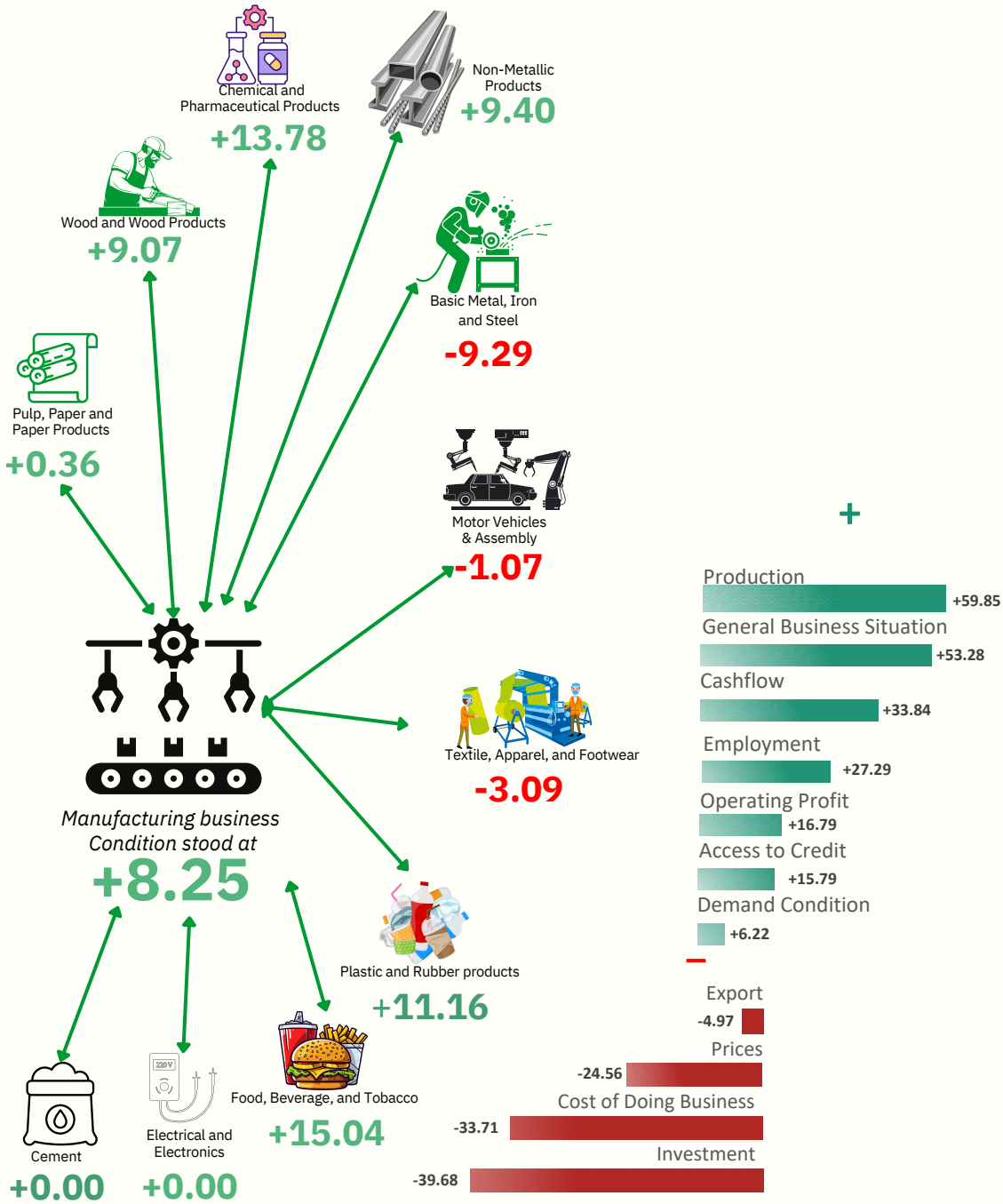
MANUFACTURING

In March 2025, the NESG-Stanbic IBTC Business Confidence Monitor (BCM) Index for the manufacturing sector recorded its second consecutive positive performance at +8.25. This performance reflects a slight decline from +10.35 index points in February 2025. Shortage of raw materials continues to hinder production targets, while unreliable power supply further disrupts timely output. Economic uncertainty continues to be a barrier to business expansion, dampening firms' potential. The daily rise in the cost of raw materials, exacerbated by a high exchange rate, intensifies production challenges. Access to foreign exchange is critical for procuring raw materials and essential spare parts for seasoning plant machinery, significantly raising production costs.

Of the twelve (12) manufacturing sub-sectors assessed, only three—Basic Metal, Iron, and Steel; Textile, Apparel, and Footwear; and Motor Vehicles & Assembly—recorded a decline in business activity. Sector performance was sustained by growth in sub-sectors with the highest output contributions. Notably, Foods, Beverages, and Tobacco, Chemical and Pharmaceutical Products, Plastic and Rubber Products, and Non-metallic Products substantially improved. These gains helped offset the underperformance seen in the other three sub-sectors.

The sector's key sub-indices reflected mixed outcomes. Indices for the general business situation, production, demand conditions, and operating profit improved to +53.28, +59.85, +6.22, and +16.79, respectively, in March 2025. However, exports (-4.97) and prices (-24.56) declined. The Investment Index also dropped to -39.68 from -5.77 in February 2025. Persistent obstacles continue to weigh on the sector, as reflected in the Cost of Doing Business Index at +33.71, highlighting inflationary pressures and elevated interest rates. High inflation, resulting from high raw materials and equipment costs, poses serious concerns. The cost of importing equipment remains high, affecting operations. Additionally, economic instability undermines production, while infrastructure deficiencies limit expansion prospects.

-100	-60	-30	0	+30	+60	+100
Negative Performance			Positive Performance			
Severe	Significant	Mild	Weak	Moderate	Strong	



N:B Cost of doing business has an inverse interpretation to the index notations.

NON-MANUFACTURING INDUSTRIES

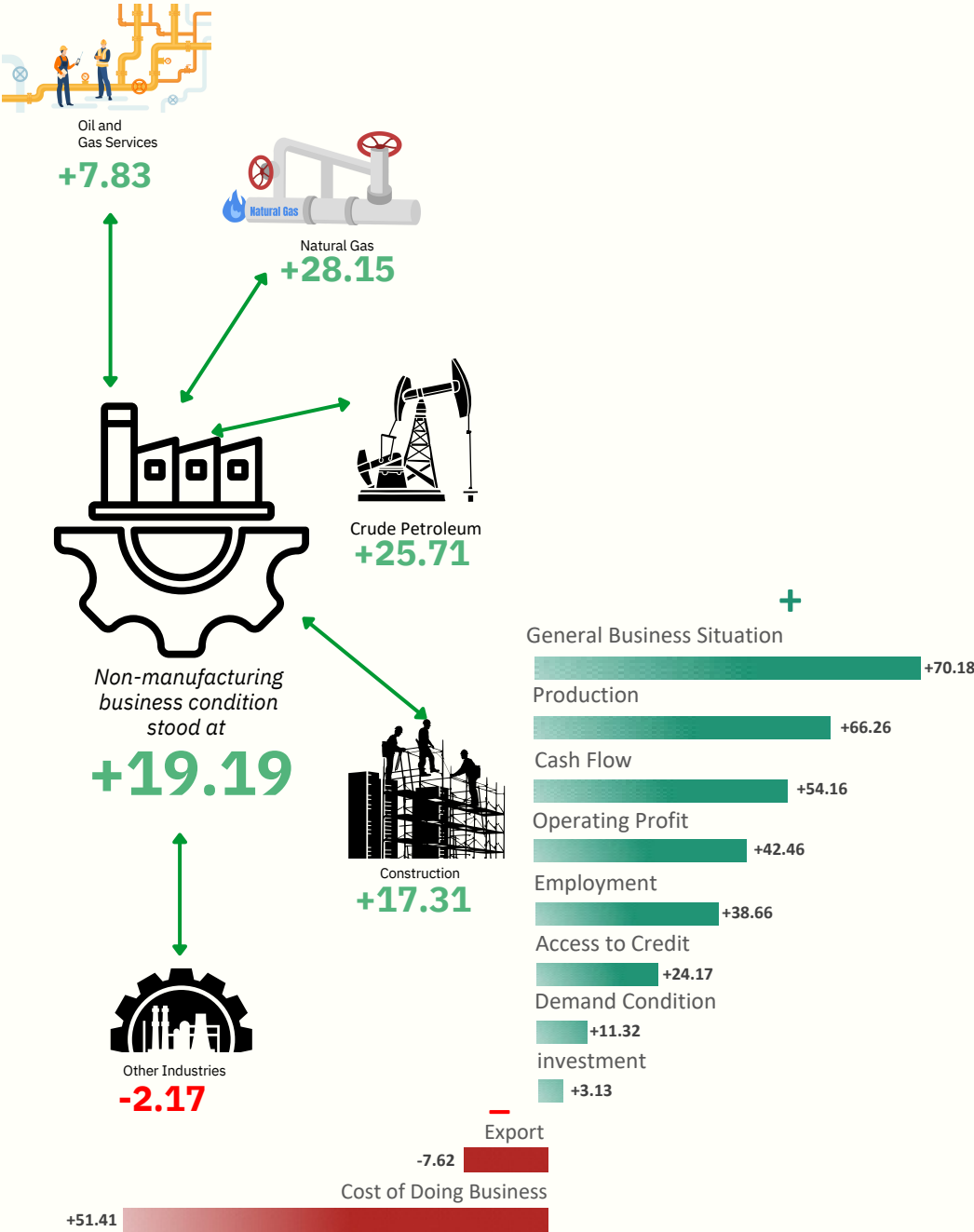
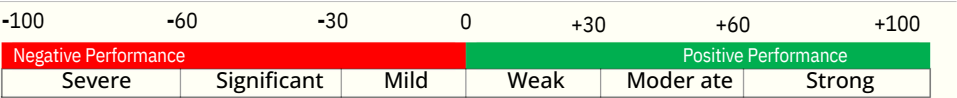
Maintaining its positive momentum from the previous month, the NESG-Stanbic IBTC Business Confidence Monitor (BCM) index for Nigeria's non-manufacturing sector stood at +19.19, indicating modestly positive business performance. This performance marks sustained growth from +10.21 in February 2025. Operators attributed the slight improvement in business conditions to healthy competition and a favourable working environment during the month.

The overall positive trend in the non-manufacturing sector was reflected across various economic activities. All sub-sectors—except "Others"—recorded positive growth. Notably, Natural Gas, Crude Petroleum, Construction, and Oil & Gas Services posted performances of +28.15, +25.71, +17.31, and +7.83, respectively. These gains were primarily driven by ongoing infrastructure projects and strategic investments to stabilise business operations.

An improved general business environment, increased production, rising demand, stronger exports, and higher operating profits chiefly supported the sector's recovery. This situation suggests that businesses are capitalising on improved conditions within Nigeria's Oil & Gas and Construction sectors.

Nevertheless, existing business challenges persist. The high cost of doing business (+51.41) and subdued export activity (-7.62) hindered broader growth. In particular, the unstable power supply significantly impacted productivity, as most machinery depends on electricity. This unreliability raised production costs. Furthermore, unclear and fluctuating economic conditions have created an unpredictable market environment, negatively affecting productivity and business expansion.

On a more encouraging note, several sub-indices pointed to signs of stability and growth. The general business situation index peaked at +70.18—the highest in the sector—driven by improved fund deployment, strategic stockpiling of materials, and heightened business activity. Meanwhile, the higher cash flow index, at +54.16, indicated improved liquidity, aided by service payments and stronger revenue generation. This situation was further reinforced by a positive operating profit index of +42.46.



N:B Cost of doing business has an inverse interpretation to the index notations.

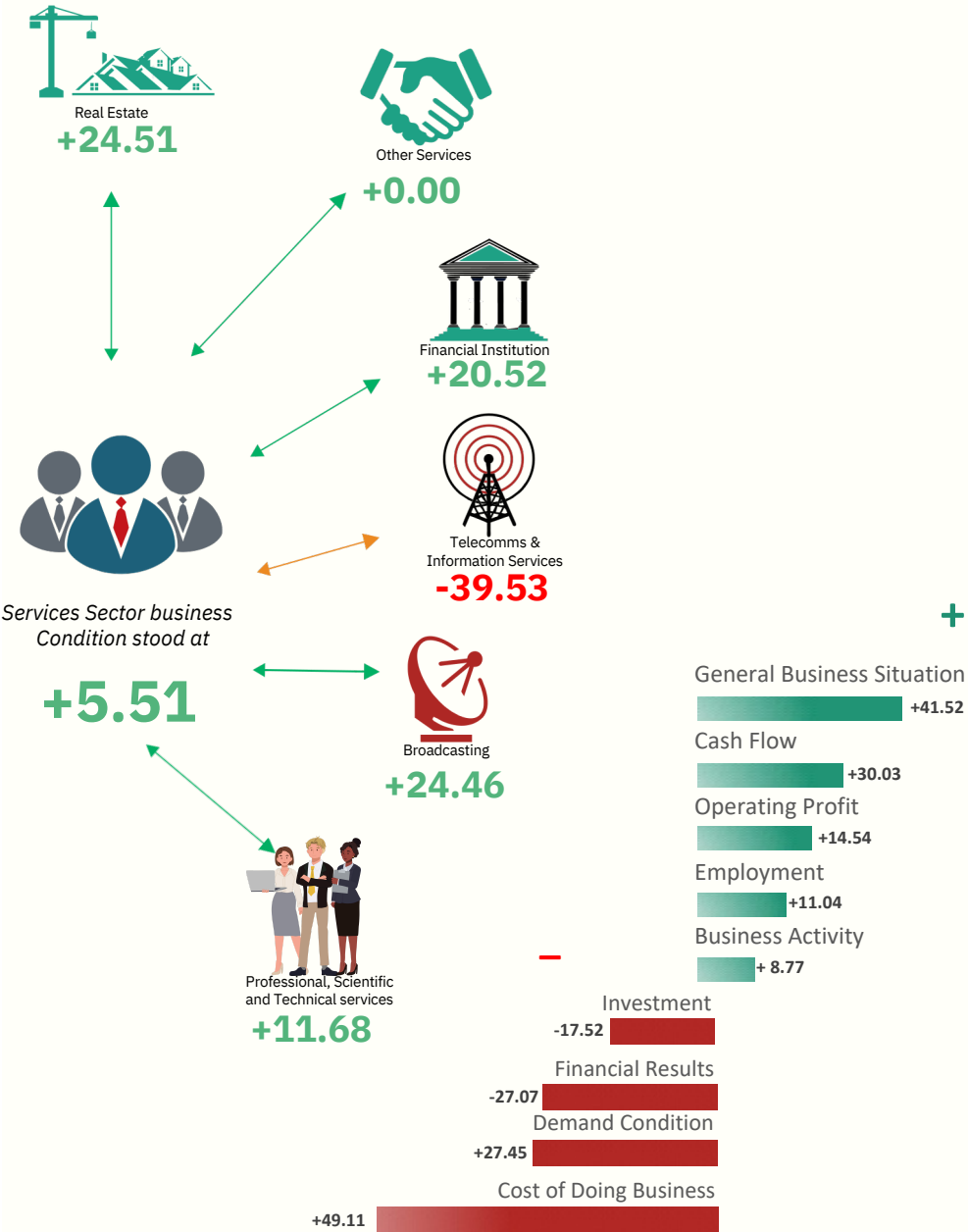
SERVICES

Nigeria's Services sector recorded its second consecutive month of positive business performance in March 2025, as indicated by the NESG-Stanbic IBTC Services Business Confidence Monitor (BCM) index, which stood at +5.51. While still a positive performance, this reflects a slight decline from the +7.15 index points recorded in February 2025. The overall performance was influenced by rising operating costs, mainly due to persistent electricity disruptions that increased reliance on costly alternatives. These disruptions raised production expenses and weakened consumer demand, particularly in the Telecommunications and Information Services sector, where service prices surged.

Several key drivers supported this continued recovery, including improvements in the general business climate, business activity, cash flow, and operating profits. However, the cost of doing business remained high in March 2025. Rising energy prices, exchange rate depreciation, and elevated logistics costs significantly constrained business activity, eroding competitiveness and the financial stability of firms in the sector. These challenges weighed heavily on financial outcomes, leading to a notable strain on financial results (-27.07) and investment activity (-17.52) during the month.

Performance across five of the six major sub-sectors within the Services sector was positive, except for Telecommunications and Information Services. Real Estate (+24.51), Broadcasting (+24.46), Financial Institutions (+20.52), and Professional Services (+11.68) reported modest positive performance. However, the steep decline in Telecommunications and Information Services (-39.53) dragged down the sector's overall performance, highlighting structural challenges and a sharp drop in consumer demand within the sub-sector.

A closer look at key performance indicators (KPIs) offers deeper insight. The general business situation index (+41.52), cash flow (+30.03), operating profits (+14.54), and business activity (+8.77) all showed positive performance across firms. However, investment fell to -17.52, reflecting the weak financial results and reduced capital commitments. The most pressing issue remains the rising cost of doing business, which climbed to +49.11 in March from +45.15 the previous month—underscoring mounting financial pressure that continues to challenge service-oriented enterprises.



N:B Cost of doing business has an inverse interpretation to the index notations.

-100	-60	-30	0	+30	+60	+100
Negative Performance				Positive Performance		
Severe	Significant	Mild	Weak	Moderate	Strong	

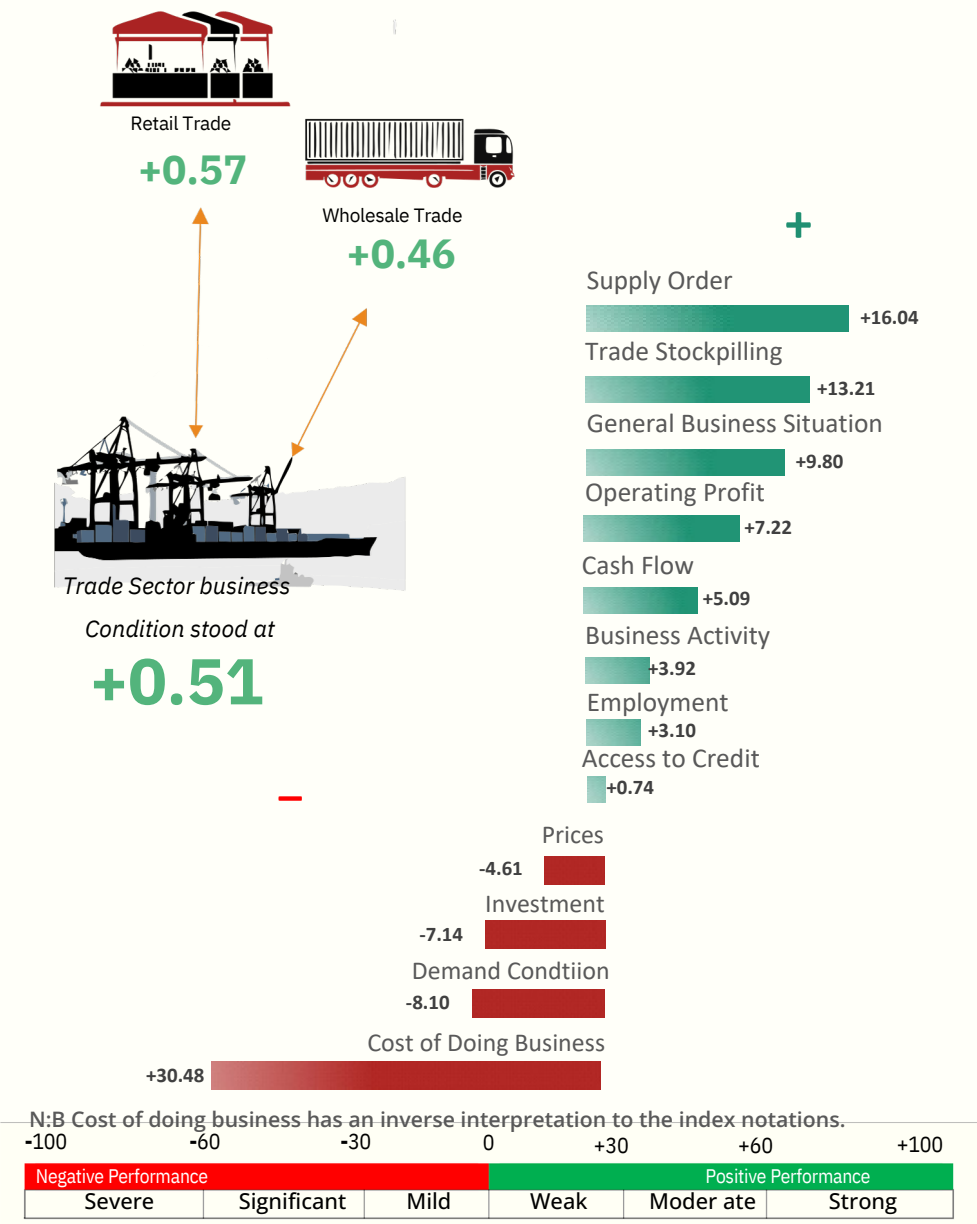
TRADE

The NESG-Stanbic IBTC Trade Business Confidence Monitor (BCM) index remained positive but declined in March 2025, falling to +0.51 from +21.48 in February 2025. All sub-sectors recorded weak positive growth at a slowing pace, signalling poor consumer demand conditions and persistent challenges inhibiting business growth in the Trade sector. High commercial and shop rental costs are affecting business operations. Additionally, poor infrastructure—such as non-motorable roads—delays goods delivery; high foreign exchange rates increase the cost of goods; and shortages continue to dampen customer demand. Power supply shortages lead to spoilage of perishable goods, while the overall economic climate adversely impacts business activities.

The performance of Trade sub-sectors also mirrored the broader sectoral weakness. The Wholesale sub-sector experienced a slowdown, though it remained positive, with an index of +0.46 in March, down from +23.90 in February 2025. Similarly, the Retail sub-sector maintained a positive trajectory, though its index declined to +0.57 from +19.06 in February. Businesses reported that customers complained about rising prices, and the high cost of goods and services weakened demand and sales. Volatile market prices reduced customers' purchasing power, while the harsh economic environment further shrank the customer base. The ongoing economic uncertainty also continued to hinder business growth.

Several key performance indicators reflected dampened trends in the sector. The cost of doing business (+30.85), investment (-7.14), demand/sales condition (-8.10), and prices (-4.61) showed weak or negative readings, indicating limited capital inflows and constrained business expansion. However, other indicators—such as general business situation, business activity, trade stockpiling, and supply orders—showed mild improvements.

The Trade sector remained largely informal, making it susceptible to numerous structural challenges. Factors such as the observance of religious fasting, insufficient transport vehicles for deliveries, slow internet coverage, and connectivity issues disrupted digital operations. Insecurity also remained a concern, making it unsafe to operate late and rendering some areas inaccessible due to security threats—further limiting supply chains and access to markets across several parts of the country.



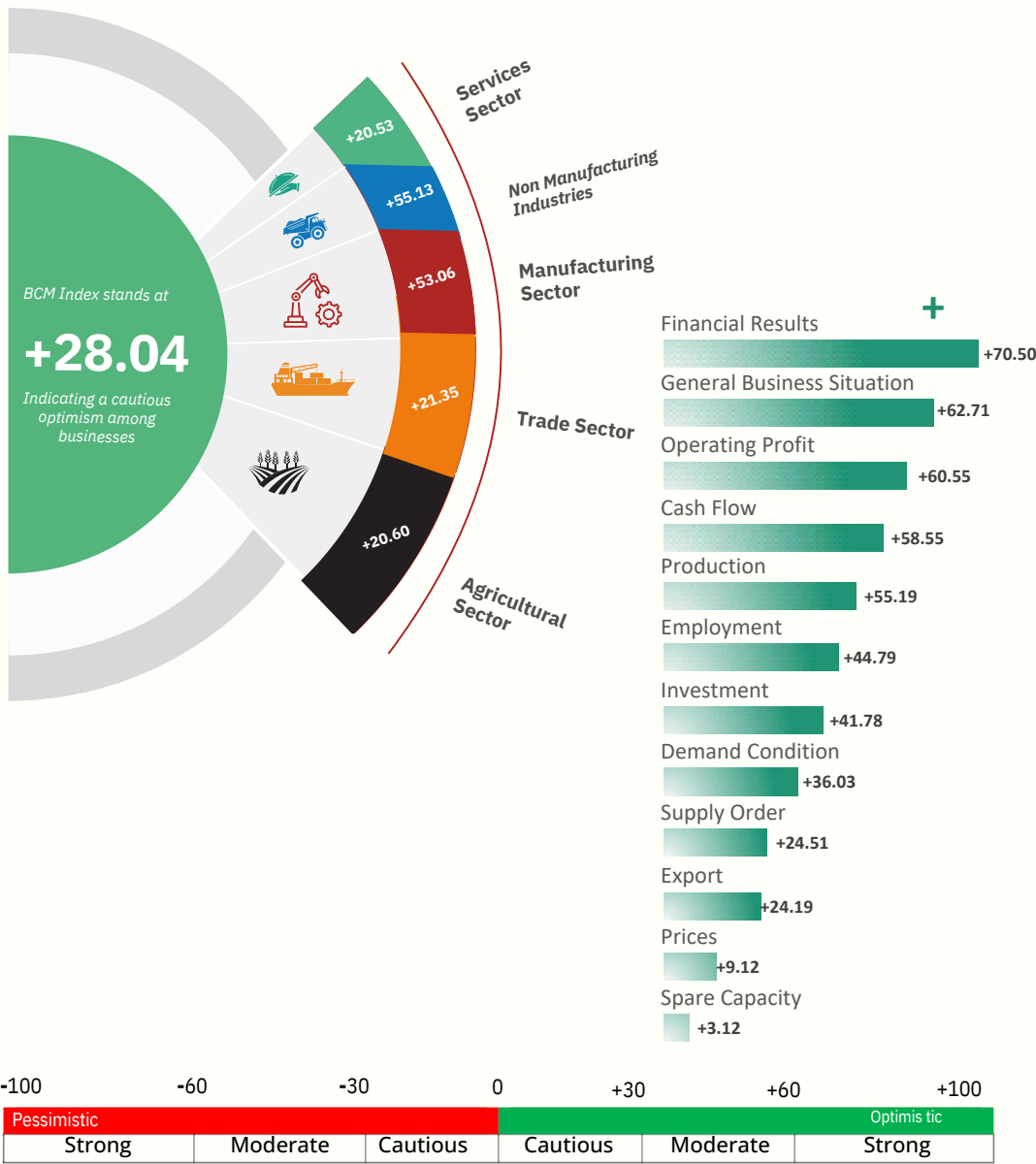
Future Business Expectations

In the next one to three months, the NESG-Stanbic IBTC Future Business Expectation Index stood at +28.04, slightly down from +28.32 in February 2025. The level of expectations remained in a cautiously optimistic range. Across sectors, the index showed that only the Manufacturing and Non-manufacturing sectors expressed moderate optimism about future business performance. In contrast, the remaining three sectors conveyed a cautious optimism regarding improvements in the business environment. A notable decline was recorded in these three cautiously optimistic sectors compared to February 2025, with higher index values. This drop in sentiment suggests tempered confidence in economic conditions and the ongoing presence of macroeconomic challenges.

Despite varying confidence levels, the Services sector posted the lowest optimism at +20.53, indicating subdued expectations amid persistent structural constraints and cost pressures. Similarly, Agriculture (+20.60) and Trade (+21.35) also reflected a cautiously optimistic business outlook. In contrast, Manufacturing (+55.13) and Non-manufacturing (+53.06) displayed stronger confidence in near-term business prospects. Encouragingly, sentiment improvements were broadly consistent across industries, aligning with trends observed in the first two months of 2025.

Several key indicators supported this positive sentiment. The general business index rose to +62.71, signalling overall optimism for the next one to three months, though accompanied by some caution. Contributing indices included the demand condition index (+36.03), investment index (+41.78), spare capacity index (+3.12), financial results index (+70.50), supply order index (+24.51), and price expectations index (+9.12). Notably, the strongest drivers of optimism were the production index (+55.19), export index (+24.19), operating profit index (+60.50), cash flow index (+58.55), and employment index (+44.79), reflecting expectations of rising business activity and better financial outcomes.

While businesses foresee stronger performance in Q2 2025, concerns over rising inflation, high interest rates, and weakened consumer purchasing power remain key risks, potentially slowing the pace of recovery through the year.



ABOUT THE NESG

The NESG is an independent, non-partisan, non-sectarian organisation committed to fostering open and continuous dialogue on Nigeria's economic development. The NESG strives to forge a mutual understanding between leaders of thought to explore, discover and support initiatives to improve Nigeria's economic policies, institutions and management.

Our views and positions on issues are disseminated through electronic and print media, seminars, public lectures, policy dialogues, workshops, specific high-level interactive public-private sessions and special presentations to the executive and legislative arms of government.

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ABOUT STANBIC IBTC

Stanbic IBTC Bank, a member of the Standard Bank Group, is a leading financial services institution in Nigeria. Established in 1989, it provides a wide range of banking solutions including personal, business, and corporate banking services. The bank is renowned for its innovative digital banking platforms, investment options, wealth management services, and corporate financing solutions.

Stanbic IBTC is also a significant player in Nigeria's capital markets, offering asset management and pension fund administration. With a strong commitment to customer satisfaction and financial inclusion, the bank continues to support the economic development of Nigeria and West Africa.

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